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# PARAMETERS OF THE PERSONAL INCOME TAX SYSTEM FOR **2014**

*Finances et Économie*
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PARAMETERS OF THE PERSONAL INCOME TAX SYSTEM FOR 2014

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# 1. INDEXING OF THE PERSONAL INCOME TAX SYSTEM

The tax legislation stipulates automatic indexing of the main parameters of the personal income tax system. Indexing applies to the taxable income bracket thresholds of the tax table and to the basic amount. It also applies to most parameters used to determine tax credits.

Indexing of the personal income tax system helps keep the tax system up to date to reflect the annual rise in the price of goods and services. In practical terms, indexing the tax system increases the amount of many deductions and tax credits by a rate determined on the basis of the rise in consumer prices in Québec.

## ❑ Indexing rate for taxation year 2014

The indexing rate for 2014 corresponds to the percentage change in the consumer price index for Québec (CPI-Québec), excluding alcohol and tobacco, between the twelve-month period ending September 30, 2013 and the twelve-month period ending September 30, 2012.

According to this formula, the personal income tax system will be indexed by 0.97% for taxation year 2014.

| **Indexing Formula** |
| --- |
| The indexing formula stipulated in the Taxation Act is applied by multiplying the parameter to be indexed by the change from A compared to B. The result obtained is rounded according to the applicable rule.<br>- "A" represents the average of the CPI-Québec, excluding alcohol and tobacco, for the twelve months ending September 30 of the preceding year.<br>- "B" represents the average of the CPI-Québec, excluding alcohol and tobacco, for the twelve months ending September 30 of the year immediately prior to the preceding year. |

## 2. IMPACT OF INDEXING FOR THE GOVERNMENT

In 2014, the Québec government will index the tax system at a cost of $253 million. Over the period from 2006 to 2014, the cumulative impact will equal almost $3.2 billion.

**Impact of indexing the personal income tax system – 2006 to 2014**

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|
| Indexing rate in percent | 2.43 | 2.03 | 1.21 | 2.36 | 0.48 | 1.27 | 2.66 | 2.48 | 0.97 |
| Impact in millions of dollars | 390 | 340 | 315 | 437 | 97 | 239 | 514 | 574 | 253 |
| Cumulative impact in millions of dollars | 390 | 730 | 1 045 | 1 482 | 1 579 | 1 818 | 2 332 | 2 906 | 3 159 |

## 3. INCREASE IN THE WORK PREMIUM AND CHILD ASSISTANCE

The indexing of basic benefits of last-resort financial assistance programs requires that a different method be applied to increase the reduction thresholds of the work premium and child assistance in order to keep the tax system and income security programs in harmony.

### ❑ Work premium

The general work premium is integrated with the last-resort assistance system. It reaches its maximum at the income threshold at which a household fit for work is no longer eligible for last-resort assistance. Above that income level, the general work premium is reduced.

Moreover, the first dollars of earned income, up to $2 400 for a household consisting of one adult and $3 600 for a household consisting of two adults, are exempt from the calculation of the general work premium.

Like the general work premium, the adapted work premium for individuals with severely limited capacity for employment is integrated with the last-resort assistance system. However, the parameters for calculating the adapted work premium are different from those used to determine the general work premium.

### ❑ Child assistance

To integrate child assistance with the work premium, the income threshold at which the work premium becomes zero corresponds to the threshold at which child assistance begins to reduce with income.

The maximum amounts of child assistance are indexed at the indexing rate of the tax system.

## 4. COMPARISON OF INDEXING RATES OF THE QUÉBEC, FEDERAL AND PROVINCIAL TAX SYSTEMS

In 2014, the indexing rate of the Québec tax system (0.97%) will be higher than the indexing rates applied by the federal government and three other provinces that index their tax system.

**Indexing rates of the federal and provincial personal tax systems – 2006 to 2014**
(percent)

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014[1] |
|---|---|---|---|---|---|---|---|---|---|
| Federal[2] | 2.2 | 2.2 | 1.9 | 2.5 | 0.6 | 1.4 | 2.8 | 2.0 | 0.9 |
| ***Provinces*** | | | | | | | | | |
| Newfoundland[3,4] | — | 1.0 | 1.1 | 2.8 | 0.7 | 2.0 | 3.1 | 2.6 | 1.5 |
| Prince Edward Island[5] | — | — | — | — | — | — | — | — | — |
| Nova Scotia[6] | — | — | — | — | — | — | — | — | — |
| New Brunswick[2,7] | 2.2 | 2.2 | 1.9 | 2.5 | 2.0 | 2.0 | 2.8 | 2.0 | 0.9 |
| **Québec[7]** | **2.43** | **2.03** | **1.21** | **2.36** | **0.48** | **1.27** | **2.66** | **2.48** | **0.97** |
| Ontario[4] | 2.2 | 2.1 | 1.5 | 2.3 | 0.7 | 1.8 | 3.3 | 1.8 | 1.0 |
| Manitoba | — | — | — | — | — | — | — | — | — |
| Saskatchewan[2] | 2.2 | 2.2 | 1.9 | 2.5 | 0.6 | 1.4 | 2.8 | 2.0 | 0.9 |
| Alberta[4] | 1.9 | 3.6 | 4.7 | 3.8 | 0.3 | 0.9 | 1.8 | 1.8 | 1.1 |
| British Columbia[4] | 2.1 | 1.9 | 1.8 | 2.0 | 0.4 | 0.8 | 2.4 | 1.5 | 0.1 |

— Means the tax system was not indexed.

1 The federal and provincial, other than Québec, indexing rates are projected by the ministère des Finances et de l'Économie du Québec according to the method usually used.

2 The indexing rate is calculated according to the consumer price index for Canada.

3 The indexing rate used for 2007 was 2.0%. However, the indexing rate was applied only as of July 1, 2007. Accordingly, the effective rate for 2007 was 1.0%.

4 The indexing rate is calculated according to the consumer price index for the province.

5 Note that Prince Edward Island announced, in its 2007 budget, a rise of 2.0% for some parameters of its tax system for 2007 and 2008, including the basic amount and the taxable income bracket thresholds of the tax table.

6 Note that Nova Scotia stipulated a rise of $250 per year in its basic amount from 2006 to 2010. In addition, some refundable tax credits have been indexed in the same proportion as the rise in the basic amount. For example, the increase in the base amount was 3.23% in 2009 and 3.13% in 2010.

7 The 2.0% rate for 2010 and 2011 was announced in December 2009.

8 Since taxation year 2005, Québec's indexing rate has been based on the CPI-Québec, excluding alcohol and tobacco.

# 5. TABLES OF PARAMETERS

## Parameters of the personal income tax system subject to indexing

(dollars)

| | 2013 | 2014 |
|---|---|---|
| **Tax table** | | |
| – Maximum threshold of first taxable income bracket | 41 095 | 41 495 |
| – Maximum threshold of second taxable income bracket | 82 190 | 82 985 |
| – Maximum threshold of third taxable income bracket | 100 000 | 100 970 |
| **Basic amount** | **11 195** | **11 305** |
| **Amount of recognized essential needs** | | |
| – Amount for a person living alone | | |
| – basic amount | 1 310 | 1 325 |
| – supplement for single-parent family | 1 625 | 1 640 |
| – Amount with respect to age | 2 410 | 2 435 |
| – Amount for retirement income | 2 140 | 2 160 |
| – Amount of transfer of the recognized parental contribution | | |
| – maximum amount of recognized needs | 7 380 | 7 450 |
| – reduction where only one session of studies is completed | 2 065 | 2 085 |
| – Amount for a minor child engaged in vocational training or post-secondary studies (per session, maximum of two sessions) | 2 065 | 2 085 |
| – Amount respecting other dependants | 3 005 | 3 035 |
| – Amount for severe and prolonged impairment in mental or physical functions | 2 545 | 2 570 |
| **Certain deductions and exemptions** | | |
| – Maximum amount of the deduction for workers | 1 100 | 1 110 |
| – Amount of the personal contribution for the purposes of the deduction for tradespersons' tools | 1 110 | 1 120 |
| – Maximum amount of the exemption relating to amounts paid to emergency services volunteers | 1 100 | 1 110 |
| – Maximum monthly amount for the exemption of certain allowances for room and board paid to young athletes | 335 | 340 |
| **Reduction thresholds or maximum income** | | |
| – Reduction threshold of the tax credit for a person living alone, for age and for retirement income | 32 480 | 32 795 |
| – Reduction threshold of the refundable tax credit for home maintenance of seniors | 54 790 | 55 320 |
| – Reduction threshold of the refundable tax credit for respite expenses of informal caregivers | 54 790 | 55 320 |
| – Maximum family income to qualify for the refundable tax credit for youth activities | 130 000 | 131 260 |

## Parameters of the personal income tax system subject to indexing (continued)

(dollars)

| | 2013 | 2014 |
|---|---|---|
| **Certain refundable tax credits** | | |
| – Tax credit for medical expenses | | |
| – maximum amount | 1 130 | 1 141 |
| – minimum amount of earned income | 2 895 | 2 925 |
| – reduction threshold | 21 870 | 22 080 |
| – Tax credit for natural caregivers of adults | | |
| – basic amount | 622 | 628 |
| – supplement reducing with income | 509 | 514 |
| – reduction threshold | 22 620 | 22 840 |
| – Québec education savings incentive | | |
| – first income threshold for purposes of calculating the increase | 41 095 | 41 495 |
| – second income threshold for purposes of calculating the increase | 82 190 | 82 985 |
| – Tax credit for holders of a taxi driver's or taxi owner's permit | 548 | 553 |
| **Solidarity tax credit** | | |
| – Amounts for the QST | | |
| – basic amount | 272 | 275 |
| – amount for spouse | 272 | 275 |
| – additional amount for person living alone | 131 | 132 |
| – Amount for housing | | |
| – amount for a couple | 641 | 647 |
| – amount for a person living alone or a single-parent family | 528 | 533 |
| – amount for each dependent child | 113 | 114 |
| – Amounts for individuals living in a northern village | | |
| – amount per adult | 810 | 818 |
| – amount for each dependent child | 347 | 350 |
| – Solidarity tax credit reduction threshold | 32 480 | 32 795 |
| **1% contribution by individuals to the Health Services Fund** | | |
| – Maximum threshold of first taxable income bracket | 14 000 | 14 135 |
| – Maximum threshold of second taxable income bracket | 48 670 | 49 140 |
| **Health contribution** | | |
| – First net income threshold | 18 000 | 18 175 |
| – Second net income threshold | 40 000 | 40 390 |
| – Third net income threshold | 130 000 | 131 260 |

## Parameters of the personal income tax system subject to indexing (continued)

(dollars)

| | 2013 | 2014 |
|---|---|---|
| **Child assistance** | | |
| - Maximum amounts | | |
| - 1st child | 2 319 | 2 341 |
| - 2nd and 3rd children | 1 159 | 1 170 |
| - 4th and subsequent children | 1 738 | 1 755 |
| - single-parent family | 813 | 821 |
| - Minimum amounts | | |
| - 1st child | 651 | 657 |
| - 2nd and subsequent children | 601 | 607 |
| - single-parent family | 325 | 328 |
| - Monthly amount of the supplement for a handicapped child | 183 | 185 |
| - Reduction threshold | | |
| - single-parent family | 33 608 | 33 944 |
| - couple | 46 251 | 46 699 |
| **General work premium** | | |
| - Maximum amounts | | |
| - person living alone | 546.14 | 552.02 |
| - couple without children | 853.02 | 861.98 |
| - single-parent family | 2 340.60 | 2 365.80 |
| - couple with children | 3 046.50 | 3 078.50 |
| - Reduction threshold | | |
| - one adult | 10 202 | 10 286 |
| - couple | 15 786 | 15 914 |
| **Adapted work premium for persons with severely limited capacity for employment** | | |
| - Maximum amounts | | |
| - person living alone | 1 060.02 | 1 071.36 |
| - couple without children | 1 588.50 | 1 605.06 |
| - single-parent family | 2 944.50 | 2 976.00 |
| - couple with children | 3 530.00 | 3 566.80 |
| - Reduction threshold | | |
| - one adult | 12 978 | 13 104 |
| - couple | 18 850 | 19 034 |

## Parameters of the refundable tax credit for child care expenses – 2013

| Family income ($) | | Tax credit rate (%) | Family income ($) | | Tax credit rate (%) | Family income ($) | | Tax credit rate (%) |
|---|---|---|---|---|---|---|---|---|
| Greater than | Without exceeding | | Greater than | Without exceeding | | Greater than | Without exceeding | |
| – | 33 740 | 75 | 46 235 | 47 485 | 64 | 139 035 | 140 290 | 44 |
| 33 740 | 34 985 | 74 | 47 485 | 48 735 | 63 | 140 290 | 141 550 | 42 |
| 34 985 | 36 240 | 73 | 48 735 | 49 980 | 62 | 141 550 | 142 805 | 40 |
| 36 240 | 37 485 | 72 | 49 980 | 51 235 | 61 | 142 805 | 144 060 | 38 |
| 37 485 | 38 735 | 71 | 51 235 | 92 465 | 60 | 144 060 | 145 320 | 36 |
| 38 735 | 39 975 | 70 | 92 465 | 132 740 | 57 | 145 320 | 146 575 | 34 |
| 39 975 | 41 245 | 69 | 132 740 | 134 005 | 54 | 146 575 | 147 845 | 32 |
| 41 245 | 42 490 | 68 | 134 005 | 135 260 | 52 | 147 845 | 149 100 | 30 |
| 42 490 | 43 730 | 67 | 135 260 | 136 515 | 50 | 149 100 | 150 355 | 28 |
| 43 730 | 44 975 | 66 | 136 515 | 137 780 | 48 | 150 355 | or over | 26 |
| 44 975 | 46 235 | 65 | 137 780 | 139 035 | 46 | | | |

## Parameters of the refundable tax credit for child care expenses – 2014

| Family income ($) | | Tax credit rate (%) | Family income ($) | | Tax credit rate (%) | Family income ($) | | Tax credit rate (%) |
|---|---|---|---|---|---|---|---|---|
| Greater than | Without exceeding | | Greater than | Without exceeding | | Greater than | Without exceeding | |
| – | 34 065 | 75 | 46 685 | 47 945 | 64 | 140 385 | 141 650 | 44 |
| 34 065 | 35 325 | 74 | 47 945 | 49 210 | 63 | 141 650 | 142 925 | 42 |
| 35 325 | 36 590 | 73 | 49 210 | 50 465 | 62 | 142 925 | 144 190 | 40 |
| 36 590 | 37 850 | 72 | 50 465 | 51 730 | 61 | 144 190 | 145 455 | 38 |
| 37 850 | 39 110 | 71 | 51 730 | 93 360 | 60 | 145 455 | 146 730 | 36 |
| 39 110 | 40 365 | 70 | 93 360 | 134 030 | 57 | 146 730 | 147 995 | 34 |
| 40 365 | 41 645 | 69 | 134 030 | 135 305 | 54 | 147 995 | 149 280 | 32 |
| 41 645 | 42 900 | 68 | 135 305 | 136 570 | 52 | 149 280 | 150 545 | 30 |
| 42 900 | 44 155 | 67 | 136 570 | 137 840 | 50 | 150 545 | 151 815 | 28 |
| 44 155 | 45 410 | 66 | 137 840 | 139 115 | 48 | 151 815 | or over | 26 |
| 45 410 | 46 685 | 65 | 139 115 | 140 385 | 46 | | | |